GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2206
ANSWERED ON:30.11.2007
LOSSES IN COOPERATIVE BANKS IN TRIBAL AREAS
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Will the Minister of FINANCE be pleased to state:

(a) whether several cooperative banks especially in tribal areas are running in losses;

(b) if so, the details thereof;

(c) the amount of losses suffered by each such bank during the last three years as on date and the reasons therefor;

(d) the total administrative expenditure made by these banks during the said period; and

(e) the action being taken or proposed to be taken to contain these losses?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (c) : Of the 10 State Cooperative Banks (SCBs) and 100 District Central Cooperative Banks (DCCBs) operating in tribal areas of the country, some of the SCBs and DCCBs incurred losses in all the three years 2003-04, 2004-05 and 2005-06 while some incurred losses either in one or two years. The details of such SCBs and DCCBs, as available with National Bank for Agriculture and Rural Development (NABARD), earning profits/incurring losses during these three years are at Annex-I.

The reasons for losses of these Cooperative banks in tribal areas can be attributed to high cost of funds, low volume of business, poor recovery, high cost of management, inadequate follow up action on recovery of loans, low resource base, low borrowing membership, lack of democratic and professionalism in management, lack of skilled manpower, low yield on assets, inadequate margins, inadequate legal action, frequent changes in Chief Executive Officers, etc.

(d) : The details of administrative expenses incurred by the loss making SCBs and DCCBs operating in tribal areas, State-wise, during three consecutive years, viz. 2003-04, 2004-05 and 2005-06 are at Annex.-II.

(e) : The Government of India (GoI) has approved a revival package to strengthen Short Term Rural Cooperative Credit Structure (STCCS). The States willing to implement the package are required to sign a Memorandum of Understanding (MoU) with GoI and NABARD for carrying out certain legal and institutional reforms.

Financial assistance for STCCS under the package is available for cleansing of Balance Sheet as on 31st March 2004 and increasing the capital to a specified minimum level subject to legal and institutional reforms. In order to ensure that STCCS continues on sound financial, managerial and governance norms, technical assistance is to be provided to upgrade institutional and human resources of STCCS, computerization and setting up proper internal control and accounting systems.